

Message Text

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ORIGIN AF-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 L-03
SS-15 NSC-05 IO-13 /109 R

DRAFTED BY AF/C:RLKATES:LAR
APPROVED BY AF/C:WLSWING
EB:MELY
E:SCANNER
TREASURY:RBLAKE
EXIM:CGARBA (INFO)

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FM SECSTATE WASHDC
TO AMEMBASSY KINSHASA PRIORITY
INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L STATE 215023

E.O. 11652:GDS

TAGS: EFIN, CG

SUBJECT: BANK OF ZAIRE GOVERNOR BOFOSSA'S VISIT TO WASHINGTON

1. SUMMARY: ZAIRE'S CENTRAL BANK GOVERNOR, BOFOSSA, VISITED WASHINGTON AUGUST 13-16 PRIMARILY FOR DISCUSSIONS WITH IMF ON A NEW STABILIZATION PROGRAM. IBRD PRESIDENT MCNAMARA ALSO RECEIVED BOFOSSA. IN ADDITION HE MET WITH THE FOLLOWING USG OFFICIALS: UNDER SECRETARY COOPER; AF ASSISTANT SECRETARY MOOSE; TREASURY ASSISTANT SECRETARY BERGSTEN; EXIMBANK CHAIRMAN MOORE; AND EB DEPUTY ASSISTANT SECRETARY MEISSNER. END SUMMARY.

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2. IMF AND IBRD MEETINGS: THE PRINCIPAL PURPOSE OF BOFOSSA'S TRIP WAS TO DISCUSS THE NEW STANDBY AND STABILIZATION PROGRAM WITH THE IMF. WE UNDERSTAND BOFOSSA SAID GOZ KNEW THAT PART OF THE SOLUTION TO ITS PRESENT PROBLEMS LAY IN REACHING AGREEMENT WITH THE IMF ON A NEW PROGRAM. BOFOSSA SAID HE EMPHASIZED TO FUND NEED TO GO BEYOND ADDRESSING JUST MONETARY AND FINANCIAL CONCERNS. ZAIRE ALSO

NEEDED STIMULUS IN AGRICULTURAL AND INDUSTRIAL DEVELOPMENT. THE IMF WILL SEND A MISSION TO ZAIRE IN EARLY SEPTEMBER TO CONTINUE DISCUSSIONS WITH THE GOZ. (FYI: THE FUND DID NOT SHARE BOFOSSA'S OPTIMISM THAT AN AGREEMENT WOULD BE

IN PLACE PRIOR TO THE BRUSSELS MEETING SCHEDULED FOR OCTOBER.) FOUR IMF-SPONSORED EXPERTS FOR THE CENTRAL BANK ARE EXPECTED TO ARRIVE SHORTLY. THE FUND IS CURRENTLY INTERVIEWING CANDIDATES FOR ANOTHER POSITION IN THE BANK.

3. MEETINGS WITH DEPARTMENT OFFICIALS COVERED FOLLOWING POINTS:

REFORMS:

BOFOSSA SAID ZAIRE REALIZED THAT THE ASSISTANCE FROM THE IMF, WORLD BANK, AND OTHER OUTSIDE DONORS WOULD BE TO NO AVAIL IF ZAIRE'S ECONOMIC MANAGEMENT IS NOT IMPROVED. HE NOTED THAT MUCH REMAINED TO BE DONE BUT THAT ZAIRE HAD ALREADY UNDERTAKEN SOME ADMINISTRATIVE REFORMS TO ENSURE RATIONAL BUDGET AND FOREIGN EXCHANGE ALLOCATION. THESE INCLUDED LIMITS ON EXPANSION OF GOVERNMENT SALARIES (ESPECIALLY IN THE DEPARTMENT OF EDUCATION) AND CIRCULAR 156 WHICH IS DESIGNED TO ENSURE FULL REPATRIATION OF EXPORT RECEIPTS; GRADUAL ELIMINATION OF TRADE ARREARAGES ABROAD THEREBY RESTORING ZAIRE'S CREDITWORTHINESS; AND IMPORTA-
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TION OF NECESSITIES ONLY; I.E., FOODSTUFFS, MEDICINE AND SPARE PARTS. THE CENTRAL BANK'S NEW PRINCIPAL DIRECTOR, BLUMENTHAL, HAD ARRIVED IN KINSHASA AND THREE OTHER FOREIGN EXPERTS WERE EXPECTED IN SEPTEMBER. BOFOSSA'S INTERLOCUTORS ASSURED HIM THAT THE USG WAS CLOSELY WATCHING THE PROGRESS ON REFORMS WHICH PRESIDENT MOBUTU HAS TAKEN SINCE BRUSSELS. THESE STEPS WOULD HELP US TO BE OF MORE ASSISTANCE TO ZAIRE AND WE HOPED THAT PROGRESS WOULD CONTINUE ALONG THESE LINES. BOFOSSA SAID THAT THE GOZ INTERPRETED THE RELEASE OF \$26 MILLION IN PL-480 AND SSA FUNDS AS A GESTURE BY THE USG ACKNOWLEDGING PROGRESS THUS FAR.

GEAMINES:

BOFOSSA LINKED GEAMINES' RECOVERY TO RETURN OF A SELECTIVE NUMBER OF EXPATRIATE PERSONNEL AND SOME \$380 MILLION IN EXTERNAL ASSISTANCE OVER NEXT THREE YEARS. BOFOSSA SAID WORLD BANK WAS WILLING TO PROVIDE \$50-60 MILLION OF THAT AMOUNT. FUNDS WOULD BE USED TO BRING GEAMINES' COPPER PRODUCTION UP TO 350,000 METRIC TONS BY END OF 1978 AND 400,000 TO 420,000 METRIC TONS NEXT YEAR. IN TALKS WITH WORLD BANK PRESIDENT MCNAMARA, BOFOSSA WAS INFORMED

THAT WORLD BANK WOULD NOT PROVIDE ASSISTANCE UNLESS QUALIFIED TECHNICIANS RETURNED, BELGIAN, FRENCH, OR OTHER NATIONALITY.

CITIBANK LOAN:

IN WASHINGTON BOFOSSA ALSO MET WITH CITIBANK SENIOR V.P. GEORGE J CLARK REGARDING THE \$220 MILLION PRIVATE BANK LOAN. NEGOTIATIONS APPARENTLY ARE AT AN IMPASSE AS ZAIRE'S ABILITY TO PAY THE \$196 MILLION IN ARREARAGES TO PRIVATE BANKS WAS PUT IN GRAVE DOUBT BY THE ATTACK ON KOLWEZI. ZAIRE HAS DECIDED TO PAY THE ARREARAGES ON INTEREST OWED TO THE PRIVATE BANKS (SOME \$12-17 MILLION ACCORDING TO BOFOSSA) FROM THE BLOCKED ACCOUNT IN BASEL. BOFOSSA
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SAID ONCE A STABILIZATION PROGRAM WAS IN PLACE, HE WOULD ASK THE BANKS TO REFINANCE ZAIRE'S DEBTS. CLARK REPORTEDLY EXPRESSED UNDERSTANDING FOR ZAIRE'S POSITION BUT SAID CONSULTATIONS WITH ITS PARTNERS WOULD BE NEEDED BEFORE AGREEING TO A REFINANCING. THROUGHOUT MEETINGS WITH USG OFFICIALS, BOFOSSA EMPHASIZED HIS INTENTION TO SEEK TERMS FROM THE PRIVATE BANKS WHICH WERE COMPARABLE TO THOSE ACCORDED ZAIRE BY THE OFFICIAL CREDITORS.

PARIS CLUB:

BOFOSSA PROPOSED THAT THE PARIS CLUB CONSIDER RESCHEDULING ZAIRE'S DEBTS ON A THREE TO FIVE-YEAR BASIS RATHER THAN ON THE CURRENT YEARLY BASIS. BOFOSSA WAS TOLD THAT THE USG LOOKED FAVORABLY TO RESCHEDULING ZAIRE'S 1978 DEBT BUT THAT ANY RESCHEDULING WOULD HAVE TO TAKE PLACE AFTER AGREEMENT HAD BEEN REACHED ON A NEW STANDBY. HIS USG INTERLOCUTORS ALSO DISCOURAGED HIM FROM EXPECTING ANY LONGER-TERM DEBT RESCHEDULING.

4. MEETINGS WITH TREASURY AND EXIMBANK COVERED ESSENTIALLY SAME GROUND. MEMCONS WILL BE POUCHED. CHRISTOPHER

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